

consumer education



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INVESTMENT FRAUD

It's no surprise that fraudsters target people with money - which means targeting older Americans at or near retirement. However, you may be surprised that fraudsters also target people who are college-educated, optimistic, self reliant, have higher incomes, and some financial knowledge. The best thing you can do to avoid investment fraud scams is to **ASK QUESTIONS!**

INVESTMENT FRAUD RED FLAGS

- Guaranteed results
- High pressure sales tactics (urgency, scarcity, overly complex)
- "Everyone is buying"
- "Free" things (Reciprocity)
- Unregistered products and salespeople

COMMON TYPES OF INVESTMENT FRAUD

- Affinity Fraud - Fraudsters target members of identifiable groups;
- Ponzi and Pyramid Schemes - pay longer standing members with money from new members; not profits from investing or selling a product;
- Internet-based such as "Pump & Dump," High-Yield Investment Programs, and bogus newsletters; (for more information go to www.investor.gov and search social media investing.)



FREE LUNCH SEMINARS

Remember, just because someone buys you a meal doesn't mean you have to buy what they're saying - or selling. According to FINRA, three times as many investment fraud victims attend a free lunch seminar as the general population.

- These seminars are usually sales pitches and sometimes a scam;
- Even if they say nothing is sold at the seminar, you will get a sales pitch at a later time;
- Ask if the sales person and product is registered and confirm registration; if not walk away and
- Report any irregularities to state and federal authorities.

PROCEED WITH CAUTION

1. Annuities

- Considered long-term investment;
- Sales person must determine suitability first and may get a high commission from sale; and
- You have a ten day free look period.

2. Reverse Mortgages

- Loan which must be repaid;
- Conditions must be met (paying taxes, insurance, remaining in home);
- Consult adviser before entering into agreement;
- Understand fees and conditions;
- Consider other options

- Consult with housing counselor

U.S. Department of Housing and Urban Development (HUD)
www.hud.gov
(Search "Reverse Mortgage Counselor")
800-569-4287

3. Pension Advances

- Potentially risky and expensive for both borrower and investor

4. Equity Crowdfunding

- JOBS (Jumpstart Our Business Startups) Act now permits private companies to sell equity online through funding portals
- High risk new investment products
www.mi.gov/lara
(Search "Crowdfunding FAQ")

REMEMBER TO:

- Ask questions (see our [Ask First form](#) and [When Your Broker Calls, Take Notes!](#));
- Check credentials of salesperson and registration of investment product; and
- Be cautious of unsolicited investment offers of any kind.

RESOURCES FOR CHECKING PROFESSIONALS

FEDERAL SOURCES

BROKERS:

FINRA's Broker Check

<http://brokercheck.finra.org/>

800-289-9999

ADVISERS:

For help in choosing an adviser:

www.sec.gov (Search "Choose an adviser")

To check out an adviser:

www.adviserinfo.sec.gov

800-732-0330

STATE SOURCES

Department of Licensing & Regulatory Affairs (LARA)

<https://www.lara.michigan.gov/colaLicVerify/>

517-373-8068

Department of Insurance & Financial Services (DIFS)

www.mi.gov/difs (Click on Locate Insurance Agent on home page)

877-999-6442

RESOURCES FOR CHECKING INVESTMENT PRODUCTS

SEC's Edgar Database

www.sec.gov (Click on link to Edgar database)

800-732-0330

HELPFUL WEBSITES

- Securities and Exchange Commission
www.sec.gov/investor
www.investor.gov
Complaint form: www.sec.gov/complaint.shtml
800-732-0330
- Financial Industry Regulatory Authority (FINRA)
www.finra.org/investor
www.saveandinvest.org
Complaint form: www.finra.org/complaint
301-590-6500
Senior Helpline: 844-574-3577
- Consumer Financial Protection Bureau (CFPB)
www.consumerfinance.gov
Complaint form: www.consumerfinance.gov/complaint
855-411-2372
- Department of Housing & Urban Development (HUD)
Reverse Mortgages:
www.hud.gov (Search “Reverse Mortgages FAQ”)



DIFS provides free educational workshops on financial and insurance matters. Workshop subjects and additional information is available at: www.michigan.gov/documents/difs/Educational_Workshops_486102_7.pdf

An electronic copy of this handout is available through the QR code below or on our website at www.mi.gov/ce. While you're there, [schedule a presentation](#) for one of our other seminars.

For questions, contact Attorney General Bill Schuette's Consumer Programs team at 877-765-8388 or agcp@mi.gov.

